HART SHAW

CHARTERED ACCOUNTANTS

Registered to carry out audit work by the Institute of Chartered Accountants in England and Wales

Hart Shaw is the trading name of:
Hart Shaw LLP
Europa Link, Sheffield Business Park,
Sheffield S9 1XU
Tel: (0114) 251 8850
Fax: (0114) 251 8851
Email: info@hartshaw.co.uk
Website: www.hartshaw.co.uk

Money Matters

SPRING 2006

UK200 news update

Over the past few years there has been an explosion in breakfast and lunch clubs and all sorts of networking events. It is therefore great that the UK200 Group celebrates its 20th Anniversary with a strengthening membership. This highlights that even in today's market the network of quality assured professionals has a place and members are as keen today as twenty years ago in maintaining the best of professional and client services.

Obviously the UK200 Group has changed over time and now includes lawyers as well as accountants and strong links are maintained internationally through IAPA but the core values remain. Our annual peer reviews ensure that the best of standards are maintained in an increasingly regulated world. The network enables an exchange of best practice and the knowledge that there are other members who we can call upon for specialist technical knowledge or geographic presence should the need ever arise.

UK200Group

All change

Change is something of a recurring theme in this edition of our newsletter.

April 2006 will see the arrival of the long awaited pensions 'A' day. The introduction of the new Construction Industry Scheme (CIS) was also planned for April 2006 but has been deferred to April 2007. Why? Certainly one of the reasons, albeit largely unreported, was the pressure brought to bear on the government by the construction industry. The current scheme will now continue until April 2007 but the Revenue have made it clear that they will be stepping up their compliance activity in the industry in the run up to April 2007 and will no doubt continue their zero tolerance policy regarding the renewal of gross payment certificates. Don't be lulled into a false sense of security by the delay; there will certainly be no light touch from April 2007. Please get in touch if you want to discuss any aspect of the CIS - new or old!

Continuing the theme of change we report on the effect of a new European Directive on savings which is relevant if you receive interest from an overseas savings account. We also bring you a summary of the important changes announced in the recent Pre-Budget Report which take effect later this year.

And in the summer you can look forward to a complete shake up in the way Royal Mail charges for post. Not all charges will increase but the size of letters and parcels will become very important. You may need to consider simple but significant changes in the way you send out post - see our article for further details.

We would welcome a call or email if you have any questions on anything we have covered in this newsletter.

In this issue

Year end tax planning supplement enclosed

Summary financial statements

As you are no doubt aware all companies are required to prepare accounts and to file these with the Registrar of Companies. Currently, many smaller companies have the option of filing abbreviated accounts, although copies of the full financial statements must be sent to all shareholders and other entitled persons.

The requirement to send out full financial statements is relaxed for listed companies, who have been able to send out summary financial statements (SFS) where shareholders and others agree to receive these.

SFS contain the key information from the full accounts and include:

- a summary profit and loss account and balance sheet
- a statement by the company's auditors.

As you can imagine, SFS can drastically reduce the cost of printing and despatching full financial statements, given the relative size of many listed company reports and the numbers of those entitled to receive them!

The opportunity to save on these costs has now been extended to all companies. This is of course with the proviso that those entitled to receive the accounts agree. Full accounts must still be prepared, as SFS are only an option.

The change mainly benefits unlisted companies with complex financial statements or those with a wide share ownership. For example, AIM listed companies or large mutual companies. Here the cost of preparing SFS is likely to be more than offset by the cost saving in the printing and distribution of fewer copies of the full accounts.

Discussions with AIM have indicated that there could be cost savings of between £2,000 and £6,000 per company per year. However, if your company has few shareholders, the SFS option probably won't be of much benefit.

If you believe that SFS could be better suited to your needs and would like to know more please get in touch.

Pre-Budget changes take effect

Last December's Pre-Budget Report now seems like a distant memory. However a number of the important changes announced will shortly take effect. We provide a reminder of the major changes most likely to affect you.

Small companies' 0% tax rate abolished

A starting rate of corporation tax of 0% was introduced in 2002 and applies to companies with taxable profits of £10,000 or less. Companies with profits between £10,000 and £50,000 currently enjoy a marginal relief from the small companies' rate of 19%.

In 2004 the government thought the system was being 'abused' and introduced a 'non-corporate distribution rate' of 19% on companies to the extent that profits were distributed.

The result has been a complex system and the government has therefore decided to replace the non-corporate distribution and zero rates with a new single banding set at the current small companies' rate of 19%.

Many will welcome the abolition of a complex system but it does mean that all small companies will pay corporation tax at 19% whether profits are retained or distributed.

Pension loopholes closed

April 2006 ('A' day) will see the introduction of the long awaited new taxation regime for pensions. Due to concerns about potential abuse two new measures will be introduced at the same time as the new regime.

- The removal of the tax advantages for investing in residential property or certain other assets (such as fine wines, classic cars and art and antiques) from pension schemes which are 'self-directed' such as SIPPs and SSASs. The effect will be to remove all tax advantages from holding prohibited assets in these types of schemes.
- Pension 'recycling' will be blocked. This device works by taking a tax-free lump sum from a scheme which is reinvested back into another scheme giving further tax relief. This in turn allows a further tax-free lump sum to be paid out. The new rules will remove tax advantages in relation to lump sums which are artificially recycled in this way.

Tax spreading available for 'contracts for services' (UITF 40)

Changes were made in March 2005 which require income to be recognised as a 'contract for services' progresses, and before an invoice has been raised. This will mean that many businesses, including accountants and other businesses who work under service contracts, will be recognising income before an invoice has been issued to a customer and therefore before payment has been received.

Legislation will be introduced to allow businesses to spread any additional tax charged over three (or in some cases six) years. This is a most welcome response to lobbying by the professional bodies. Talk to us if you feel your business may be affected by these changes.

More certainty with tax credits awards

Claims are based initially on the previous tax year's income. From April 2006 increases in income of less than £25,000 will be disregarded when finalising awards. The previous limit was £2,500. This change should mean that 90% of awards can be finalised without the need for adjustment.

VAT cash accounting scheme

Subject to EC approval the turnover limit for joining the cash accounting scheme will be increased from £660,000 to £1,350,000 with effect from April 2006. This is an increase of more than 100% and may benefit up to one million small businesses.

Please talk to us if you want to plan for any of the changes, most of which will be effective from April 2006.

News on overseas savings

Offshore bank accounts

A little over a year ago we reported that the Revenue were starting to use targeted letters to taxpayers as part of their compliance activities. They began with letters to small businesses regarding the possibility of incorrect recording of income or expenses. This was followed with letters to those in the construction industry regarding status. More recently letters have been sent to holders of offshore bank accounts. The Revenue have said that this is part of an exercise to tackle the problem of offshore accounts being used in tax evasion or to hide the proceeds of crime. Whilst this is admirable the method leaves something to be desired. The letters are strongly worded and request a response within 30 days. You should be aware that receipt of such a letter is not an indication that there is anything wrong and does not constitute the opening of an enquiry into your tax return.

Gross or net?

The European Savings Directive came into force last July. It covers the EU member states and certain 'other territories' (including Jersey and Guernsey).

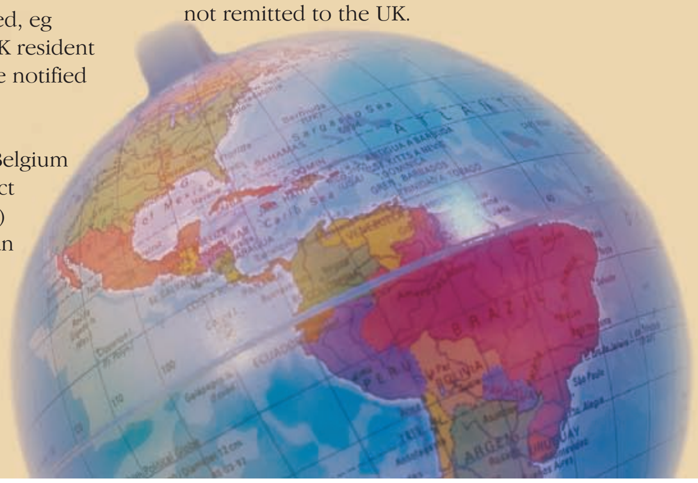
In most cases the effect of the directive is that information on savings income paid by one member state to an individual resident in another state is freely exchanged, eg details of interest received by a UK resident on a bank account in Spain will be notified to the UK Revenue.

However some states, including Belgium and Austria, have chosen to deduct withholding tax (currently at 15%) from interest payments rather than exchange information. The withholding tax suffered is then deductible from UK income tax or capital gains tax liabilities.

An individual can avoid suffering the withholding tax if either:

- they expressly authorise the payer to report information to the UK Revenue or

- they apply to the Revenue for a certificate to permit gross payment - where for example there is no UK tax liability on the income because the holder, although UK resident, is not domiciled here (ie the UK is not their 'permanent' home) and the interest is not remitted to the UK.



Some good news (on taper relief)

Tony owns a valuable residential flat in Bristol which he lets out. He assumes that when he sells the property in the future and realises a significant capital gain, non-business taper relief (maximum of 40% after ten years of ownership) will apply. He may very well be right.

But what if his tenant is an unlisted company that has entered into a short-term lease to house an employee who has been relocated to Bristol for a year to work for the company. Then the flat will qualify for business taper for the term of the lease since it is being used for the trade of the company. Surprising but true.

It does mean that past tenancy agreements need to be reviewed carefully on sale of such properties to ensure that valuable business taper is not missed. It is also worth mentioning that property let as furnished holiday accommodation may also be eligible for business taper.

Research and development: what does it really mean?

It is now some six years since the government introduced enhanced tax relief for qualifying expenditure by companies on research and development (R&D). Since 2000, small and medium-sized companies (SMEs) have been able to claim tax relief on 150% of qualifying R&D costs or surrender the relief for a cash repayment of up to 24% of the costs. Large companies (since 2002) have been able to deduct 125% of their R&D costs in calculating taxable profits but do not have the cash repayment alternative.

Broadly qualifying costs include employment costs of staff working on R&D, and 'consumables' including software and power. Capital expenditure does not qualify but may be eligible instead for enhanced capital allowances.

The number of R&D intensive middle-sized UK companies has increased by more than 75% over the past four years according to the DTI's annual R&D Scoreboard. Despite the statistics it seems that many companies are failing to claim the reliefs due to them.

This may be because they perceive that what they do is not R&D. But some manufacturing companies have successfully claimed relief where they have undertaken a project to research making an existing product at lower cost. And it may not matter if the project does not reach a successful conclusion. It is the attempt to achieve a scientific or technological advance that is important not the end result.

Having said all of this, the Revenue are likely to challenge claims and may require extensive back-up documentation. They also report that the most frequent errors in R&D claims are as follows:

- claiming expenditure outside the qualifying categories
- claiming overheads that do not qualify as 'consumables'
- claiming under the SME scheme when other State Aids have been received
- claiming a repayment in excess of the total PAYE and NI liability of the company for the relevant year.

The Revenue have recently announced a number of proposed improvements to the regime including the creation of dedicated teams to deal with claims. They have also produced a helpful flowchart to indicate whether a project is likely to qualify for the relief. It can be found at: www.hmrc.gov.uk/randd/flowchart.htm

Finally we would be delighted to discuss with you the detail of your company's projects and possible claims for R&D credits.

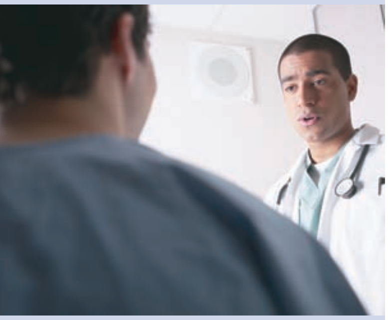
Permanent health insurance

Do you ever think about how you'd pay your bills if you were unable to work?

A Permanent Health Insurance (PHI) policy could be the answer. PHI is designed to replace your income if you're ill and unable to work for a long time. You decide how long you wait before the policy starts to pay out - anywhere between one month and two years.

But if you have such a policy, the odds are you took it out some time ago and you are unlikely to have reviewed it regularly since. Now may be a good time to do just that. Circumstances change and the cover may not be what you thought or what you now need.

Consider this…..PHI policies usually insure salary or your business profits. What if you now run your business through a company and take out the majority of the profit as a dividend rather than wages? You may find your PHI policy wouldn't cover dividend income in the event of your being unable to work - it's worth reviewing the position and please do talk to us if you have any concerns or questions.



Post charges set to change

Royal Mail's 2004/05 accounts showed that the company made a loss of £235m on stamped mail - a loss of 5p on every item of first class stamped mail and 8p on every item of second class stamped mail. In the light of these statistics, it's no surprise that post charges are set to change in 2006.

The Royal Mail has announced that the way in which it charges for post will change from August 2006. Currently post is charged on a weight basis. However from August this year, size as well as weight will determine cost. Accordingly, post will be classified as either a:

- letter
- large letter
- packet.

The new scheme, known as 'Pricing in Proportion', has primarily been designed to enable Royal Mail to more accurately reflect the cost of handling post in its prices.

The changes are expected to affect prices on around 20% of stamped mail for consumers and 30% of business mail. For those affected some costs will be reduced however, for others, the changes will mean increased costs unless action can be taken.

The table below gives an indication of the new dimensions and prices, although prices will be subject to change later this year. The new dimensions can be best viewed via the Royal Mail website at www.royalmail.com

Good news or bad?

It's not all bad news! For example, more generous weight allowances will be introduced. The maximum weight for letters will be increased from 60g to 100g and the maximum weight of second class mail will increase from 750g to 1kg. It may also be possible to make some simple changes that will avoid the increased costs; for example, folding A4 letters in half, so that they fit in a standard C5 envelope.

According to Royal Mail, franking machines will be able to cope with the changes, although some weigh scales may need to be replaced.

Further details about the changes can be found on the Royal Mail website and using the quickfinder to locate the 'Pricing in Proportion' link.

Finally, if you are unhappy with the changes, remember that the UK postal market was opened to full competition on 1 January 2006 and you may wish to review the alternatives.

Format	Size	Weight	Pricing in Proportion		Existing Price Range	
			First* Class	Second Class	First* Class	Second Class
Letters	Maximum 240 x 165mm 5mm thick	0 - 100g	30p	21p	30p - 46p	21p - 35p
Large Letters	Maximum 353 x 250mm 25mm thick	0 - 100g	42p	35p	30p - £2.71	21p - £2.12
		101g - 250g	61p	53p		
		251g - 500g	85p	72p		
		501g - 750g	£1.23	£1.05		
Packets	Minimum 353mm long 250mm wide 25mm thick	0 - 100g	94p	80p	30p - £3.64	21p - £2.12
		101g - 250g	£1.19	£1.04		
		251g - 500g	£1.59	£1.32		
		501g - 750g	£2.06	£1.66		
		751g - 1kg	£2.53	£1.99		

*Discounts for all franking and account customers on their first class mail will continue to apply.

Year End Tax Planning

Tax saving tips for the family

Married couples

Marriage gives limited scope for income tax planning, but spouses are taxed separately. Therefore, by careful planning, maximum use can be made of personal reliefs and the starting and basic rate tax bands. Given that the personal allowance cannot be transferred between spouses it may be necessary to consider gifts of assets (which must be outright and unconditional) to even up incomes. A transfer of just £1,000 of savings income from a higher rate taxpaying spouse to one with income below the personal allowance (currently £4,895) will save £400 a year.

The tax treatment of married couples applies, (from December 2005), to same-sex couples who have entered into a civil partnership under the Civil Partnership Act.

Income from jointly owned assets is generally shared equally for tax purposes. This applies even where the asset is owned in unequal shares unless an election is made to split the income in proportion to the ownership of the asset. The exception is dividend income from jointly owned shares in 'close' companies which is split according to the actual ownership of the shares. Close companies are broadly those owned by the directors or five or fewer people.

Tip
If you are self-employed, consider employing your spouse or taking them into partnership as a way of redistributing income. This could be just as relevant for a property investment business producing rental income as for a trade or profession.

***Note** - Care must be taken because the Revenue may look at such situations to ensure they are commercially justified. If a spouse is employed by the family company, the level of remuneration must be justifiable and the wages actually paid to the spouse. The National Minimum Wage rules may also impact.*

Those aged 65 and over

Taxpayers aged at least 65 should consider how to make full use of the available age allowances. The higher allowances are gradually withdrawn once income exceeds £19,500.

Tip
Consider switching to non-taxable or capital growth oriented investments to avoid losing out on allowances.

Children

Children have their own allowances and tax bands. Therefore it may be possible for tax savings to be achieved by the transfer of income producing assets to a child. Generally this is ineffective if the source of the asset is the parents and the child is under 18. In this case the income remains taxable on the parents unless the income arising amounts to no more than £100 gross per annum.

Tip
Consider transfers of assets from other relatives (eg grandparents) and/or earnings from the family business for teenage children to use personal allowances, starting rate and basic rate tax bands.

Remember that children also have their own capital gains tax (CGT) annual exemption (£8,500). It may be better for parents to invest for capital growth rather than income.

For children born since September 2002 a Child Trust Fund (CTF) has recently been introduced. The idea is to encourage tax-efficient savings by family and friends with the government's help to build a nest egg which the child can access once he or she reaches age 18. The government's initial contribution amounts to £250 (£500 for low income families) with a further payment promised once the child reaches age seven. Other contributions of up to £1,200 per annum can be added to the fund and although there is no tax relief on making the contributions the fund is tax exempt.

Non-taxpayers

Children or any other person whose personal allowances exceed their income are not liable to tax. Where income has suffered tax deduction at source a repayment claim should be made. In the case of bank or building society interest, a declaration can be made by non-taxpayers to enable interest to be paid gross.

Remember that the 10% starting rate applies to all types of income so that if the only source of taxable income is bank or building society interest the first £2,090 (for 2005/06) is liable at only 10%. If 20% tax has been deducted at source a repayment may be due.

Tip
Tax credits on dividends are not repayable so non-taxpayers should ensure they have other sources of income to utilise their personal allowances.

Family companies

If the payment of bonuses to directors or dividends to shareholders is under consideration, give careful thought as to whether payment should be made before or after the end of the tax year. The date of payment will affect the date tax is due and possibly the rate at which it is payable.

Tip
Remember that any bonuses must be paid within nine months of the company's year end to ensure tax relief for the company in that period.

Alternatively consider the payment of a pension contribution by the company on behalf of an employee since this is tax and NI free.

Investments - are yours tax efficient?

There is a wide range of investments with varying tax treatments. We take a look at some of the main ones that have special tax rules.

WARNING
When choosing between investments always consider the differing levels of risk and your requirements for income and capital in both the long and the short term. An investment strategy based purely on saving tax is not advisable.

ISAs

Individual savings accounts (ISAs) provide an income tax and capital gains tax free form of investment. The maximum investment limits are set for tax years. Therefore to take advantage of the limits available for 2005/06 the investment(s) must be made by 5 April 2006. You can invest either in a maxi ISA or mini ISAs. The maxi ISA route gives you the option to invest up to £7,000 (per tax year) either fully in stocks and shares or up to £3,000 in cash with the balance in stocks and shares. Under the mini ISA route, up to £4,000 can be invested in stocks and shares and up to £3,000 in cash. 16 and 17 year olds are able to open (mini) cash ISAs.

Tip
The government is committed to retaining the annual limit of £7,000 until 2010 so a couple starting to invest in ISAs now could save a total of £70,000 by 2010.

Other investments

National Savings products are taxed in a variety of ways. Some, such as National Savings Certificates, are tax-free.

Single premium life assurance bonds and **'roll up' funds** provide a useful means of deferring income into a subsequent period when it may be taxed at a lower rate.

The Enterprise Investment Scheme (EIS) allows income tax relief at 20% on new equity investment (in qualifying unquoted trading companies) of up to £200,000 per tax year. CGT exemption is given on shares held for at least three years.

Capital gains realised on the sale of any chargeable asset (including quoted shares, holiday homes etc) can be deferred where gains are reinvested in EIS shares.

A Venture Capital Trust (VCT) invests in the shares of unquoted trading companies. An investor in the shares of a VCT will be exempt from tax on dividends (although the tax credits are not repayable) and on any capital gains arising from disposal of shares in the VCT. Income tax relief currently at 40% is available on subscriptions for VCT shares up to £200,000 per tax year so long as the shares are held for at least three years.

Enterprise Zone Trusts allow investors to invest in qualifying property and obtain immediate tax relief of up to 40% on their investment. There is no upper limit on the investment.

Film partnerships
Investors become partners in a business that purchases a qualifying film. The loss created can, in certain circumstances, be set against income and/or capital gains, to give higher rate tax relief. The current scheme comes to an end on 31 March 2006 subject to certain transitional provisions. The government has announced proposals for enhanced tax relief which will apply to British film companies from 1 April 2006.

Second hand endowment policies (SHEPs) can be very attractive. Purchasing a SHEP will give an initial cost plus subsequent premiums payable to maturity. On maturity a capital gain arises less the purchase price and premiums paid. It may be possible for each member of a family to use their CGT annual exemption in this way.

Finally, review your borrowings. Full tax relief is given on funds borrowed for business purposes. Your mortgage does not qualify for any tax relief.

Giving to charity

Charitable donations made under the Gift Aid scheme can result in significant benefits for both the donor and the charity. The charity is able to claim back tax at 22% on any donations and if the donor is a higher rate taxpayer the gift will qualify for 40% tax relief. Therefore a cash gift of £78 will generate a tax refund of £22 for the charity so that it ends up with £100. The donor will get higher rate tax relief so that the net cost of the gift is only £60.

Tip
Tax relief against 2005/06 income is possible for charitable donations made between 6 April 2006 and 31 January 2007 providing the payment is made before filing the 2005/06 tax return.

Always remember to keep a record of any gifts you make.

It is also possible to make gifts of quoted shares and securities or land and buildings to charities and claim income tax relief on the value of the gift. This may be tax efficient for larger charitable donations.

Capital gains tax

The availability of taper relief at 75% on business assets after just two years of ownership means that the effective rate of CGT for a higher rate taxpayer is often only 10%.

Annual exemption

The first £8,500 of gains made in 2005/06 are CGT-free being covered by the annual exemption. Note that husband and wife both have their own annual exemption, as indeed do children. A transfer of assets between spouses may enable them both to fully use this. Consider selling assets standing at a gain before the end of the tax year to use the annual exemption. Bed and breakfasting (sale and repurchase) of shares is no longer effective but there are two variants which still work:

- sale by one spouse and repurchase by the other
- sale followed by repurchase via an ISA.

These techniques may also be used to establish a loss that can be set against gains.
The timing of such disposals may be critical because losses are used against gains before applying taper relief.

Tip
On the other hand if a disposal is deferred until a date after 5 April 2006 then not only will next year's annual exemption be available but the tax payable will be due a whole year later. Additional taper relief may also be available.

Two homes?

If you have two homes then consider making an election so that future gains on your 'main residence' are exempt from CGT. Talk to us if this is relevant for you.

Other ideas

A capital gain can be deferred if the gain is reinvested in the shares of a qualifying unquoted trading company via the Enterprise Investment Scheme.

A capital loss can be claimed on an asset that is virtually worthless. Where the asset is of 'negligible value' by 5 April 2006 the capital loss can be used in 2005/06.

Moving abroad can take you outside the CGT net. However it is clearly not a decision to be taken lightly and requires very careful planning. Please talk to us if this is an area of interest for you.

No CGT planning should be undertaken in isolation. Other tax and non-tax factors may be relevant, particularly inheritance tax in relation to capital assets. Please talk to us soon if there are any issues in relation to CGT planning you wish to discuss.

National insurance matters

If a spouse is employed by the family business it is probably now worth paying earnings in 2005/06 of between £82 (the lower earnings limit) and £94 (the earnings threshold) per week. There will be no employees' contributions due on the earnings but entitlement to a state retirement pension and certain other benefits is preserved. No employer contributions are payable if earnings do not exceed £94 per week in 2005/06. Note that the earnings threshold will be £97 per week in 2006/07.

Tip
A PAYE scheme would be needed to establish the employee's entitlement to benefits.

For the self-employed there is a requirement to pay a flat rate contribution (Class 2). If your profits are low you can apply for exemption. The limit for 2005/06 is £4,345. If contributions have been paid for 2005/06 and it subsequently turns out that earnings are below £4,345 a claim for repayment of contributions can be made. The deadline for this claim is 31 January 2007.

Tip
On the other hand it may be advisable to pay the contributions in any event in order to maintain a contributions record. The alternative voluntary Class 3 contributions are £5.25 a week higher.

Pension contributions

There are many opportunities for pension planning but the rules can be complicated. Furthermore the rules on the taxation of pensions will change very significantly in April 2006. The new regime will include a single lifetime limit (initially to be set at £1.5 million) on the amount of pension saving that can benefit from tax relief as well as annual limits on the maximum level of pension contributions (initially to be set at £215,000). Please talk to us if you would like further information on the new regime.

Tax relief is available on pension contributions at the taxpayer's marginal rate of tax. Therefore a higher rate taxpayer can pay £100 into a pension scheme at a cost of only £60. Indeed for some individuals, in particular where income consists largely of dividend income, the marginal rate of tax maybe in excess of 40%. It can be as high as 44.5%. For such an individual the true cost of a £100 pension contribution is £55.50. With the inability of the state to provide adequate levels of retirement pensions widely acknowledged, it is more important than ever to provide for a secure old age.

All individuals, including children, can pay personal pension contributions (not retirement annuity premiums) of £3,600 (gross) annually without any reference to earnings. Higher amounts may be paid based on net relevant earnings (NRE).

The maximum level of contributions is determined by the taxpayer's age at the start of the tax year. Earnings in excess of £105,600 (for 2005/06) are ignored.

Directors of family companies could, as an alternative, consider the advantages of setting up a company pension scheme. If a spouse is employed by the company consider including them in the scheme. Even with modest salary levels, significant benefits can accrue.

Electronic filing and payment

All employers with at least 50 employees must file their 2005/06 end of year returns electronically. Employers with fewer than 50 employees do not have to start online filing until 2009/10 but there are tax-free incentives for early take up. Large employers (those with at least 250 employees) must also pay their PAYE electronically.

Talk to us if you are interested in using a PAYE settlement agreement to account for the tax due on minor employee benefits. It can reduce administrative hassle and SAVE TIME!

Employers - the form filling starts here

If you are an employer the end of the tax year marks the start of the form-filling season! Here's a reminder of important deadlines for sending information (and money!) to the Revenue.

19 April 2006 - Interest will run on any 2005/06 PAYE, NIC, student loan and CIS deductions not paid over by this date (22nd for electronic payments).

19 May 2006 - Employers' year end returns (P35/P14) due for submission.

31 May 2006 - Employees must be provided with their P60 (certificate of pay and tax deducted).

6 July 2006 - Submission of P11Ds and P9Ds which show details of expenses paid and benefits provided to employees and directors. There is a penalty for submission of late or incorrect returns. Employees must also be given a copy of their P9D/P11D by this date.

19 July 2006 - Class 1A NIC for 2005/06 on most benefits in kind provided to employees must be paid. Interest runs from this date on late payments.

19 October 2006 - PAYE settlement agreement liabilities for 2005/06 are due, together with Class 1B NIC. Interest runs from this date on late payments.

Company cars and fuel

Company car benefits are calculated by reference to the CO_2 emissions. The level of business mileage is not relevant. The greener (environmentally!) the car the lower the charge. If it is a realistic option consider a company van rather than a car. It could be a lot cheaper.

Businesses purchasing 'green' cars with CO_2 emissions not exceeding 120 gm/km can generally write off the full cost of the car in the year of purchase. If the car is for the proprietor of an unincorporated business the allowances will be restricted to take account of the proportion of private use.

Tip

Check your position to confirm that the company car is still a worthwhile benefit. It may be better to receive a tax-free mileage allowance that could be up to 40p per mile for business travel in your own vehicle.

Where private fuel is provided by the employer, the charge is also based on CO_2 emissions. You should review the arrangements to ensure no unnecessary tax charge arises. If you have opted out of free fuel during the year, the charge will be proportionally reduced. However where you opted in during the year a full charge is applied.